



BOARD OF TRUSTEES

Investment Subcommittee

March 3, 2022

Minutes

President’s Boardroom, Horace Mann Center
and via Zoom

In accordance with Massachusetts Gov. Charlie Baker’s Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

A live stream of the meeting for public viewing also took place on YouTube.

MEMBERS PRESENT: Trustees Paul Boudreau and Ali Salehi

MEMBERS PARTICIPATING REMOTELY: Committee Chair Madeline Landrau

MEMBERS EXCUSED: Trustee Theresa Jasmin

TRUSTEE GUESTS PRESENT: Dr. Robert Martin

Also present from Westfield State University were Dr. Linda Thompson, President, Stephen Taksar, Vice President for Administration and Finance, Lisa Freeman, Associate Vice President for Administration and Finance, and Gary Duggan, Director of Procurement. Also present were Robert Quinn and Duke Laflamme from Eaton Vance WaterOak Advisors (Eaton Vance) and Westfield State Foundation Board members Sheridan Carey and John Davies (joined remotely at 1:29 PM.)

The meeting was called to order by Committee Chair Landrau at 1:17 PM and it was announced that the meeting was being livestreamed and recorded. All committee members and guests participating remotely were announced as listed above.

MOTION made by Trustee Boudreau, seconded by Trustee Salehi, to approve the minutes of the November 22, 2021, Investment Subcommittee meeting.

ROLL CALL VOTE taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Landrau	Yes		

Motion passed unanimously.

President Thompson thanked those joining and stated she was interested in the discussion.

Distribution of Investment Income: FY23 Model.

- The distribution model presented was drafted to comply with the Investment Policy. The model will be updated based on the next two quarters and the distribution figure integrated into the campus budget.

The committee will approve the final figure for FY23 budget planning purposes and the Board will approve a provisional budget in June and a final budget in October.

- The four percent figure is standard under the prudent investor rule. Financial planning software performed stress tests on the portfolio in numerous environments to ensure the rate could be distributed without invading principal.
- Despite the unrest in Ukraine and Europe, the market history over the last 115 years had 55 similar crises and is still up nine percent. Safety mechanisms in the policy include no large distributions if the market has a bad quarter to safeguard against volatility and requiring additional approval for distributions if the value drops below principal.
- The goal of the investments is to preserve purchasing power ahead of inflation. [Mr. Davies joined the meeting at 1:29 PM]
- The committee supported the distribution model and assumptions presented.
- The distributions will be used for seed money to advance the president's initiatives. Budget reports at the Finance and Capital Assets Committee meetings will show the Board and the campus community what the funds are being used for.

Quarterly Investment Results. A summary of the quarterly report was given by Messrs. Quinn and Laflamme.

- The other state universities continue to contribute to their portfolios at Eaton Vance because their fees (36 basis points) are competitive. All but two of the 12 state entities have added \$50 million over the last year. Returns net of fees are clearly showing that value has been added.
- It was noted that fees on other funds are at 90 basis points, but Mr. Quinn stated that those funds are less than four percent of the portfolio. It was requested that in future quarterly reports, Eaton Vance show a breakout of total fees with mutual funds plus the management fee on a separate page.
- The return for 2021 was 13.4% and the return since inception was 12.8%.
- In December, the equity allocation was reduced from 68% to 65% and today it is 62%.
- The December 31, 2021, summary included an asset allocation of 65% in equities, \$8.5 million in bonds, cash of \$600,000 and income of \$325,000. It was requested to add large cap, mid cap, and small cap to this page of the report.
- The bonds mature in the next five years and will be reinvested in higher interest rates. The bond quality ratings of A+ provides a ballast and level of protection in a high-quality fixed income portfolio.
- For the fourth quarter of 2021, the portfolio was 2.5% ahead of the benchmark, with 3.1% outperformance over the last year and 3.6% outperformance since inception.
- It was questioned when the best time to take planned quarterly distributions would be. Cash has been built up over the last six months while planning for a distribution.
- The University is completely tax exempt so there are no tax impacts on income or liquidations.
- The equities in financial and energy sectors will be readjusted. In the post-pandemic recovery, equities will revert to a low-growth environment, with high-quality companies that can grow above average.
- It was requested in a future report to see stocks in the portfolio and the risk statistics of each.
- NACUBO tracks college endowments. For FY21, the average one-year return was 30.6%. Mr. Taksar will try to obtain their report. There was a significant difference between the largest and smaller endowments. Other colleges are asking about moving into alternatives of private equity and venture capital. A five-year average may be more realistic to look at. Eaton Vance offered to review this and provide input.
- The timing of distributions was discussed, and it was stated that ten business days into the newest quarter is plenty of time. It was agreed that presently two distributions per year makes the most sense to maximize the portfolio and utilize the cash. Mr. Taksar and Eaton Vance will determine before June the best time to take distributions.
- President Thompson stated that some universities are enticing students by providing more financial aid. We are looking at creative financial aid and hiring students.

Investment Advisor Contract.

- We are nearing the end of a three-year contract with Eaton Vance which provides for two, one-year extensions. A summary was provided with a recommendation for an extension for one year while new members of the committee get acclimated. It would be useful to use this year to discuss what other related performance criteria the Board would like to use to evaluate the contract. It was noted that the procurement department is understaffed and the bidding process and procedure for awarding contracts is comprehensive and takes considerable time. There are also other critical procurement activities in the queue.
- Trustee Salehi agreed that a more detailed fee structure should be provided and was favorable to extending the contract for another year.
- It is good business practice to test the market periodically to ensure the best value is being received for the fees paid. It is a good plan to have a three-year contact with an option to extend as rebids are typically done after five years. Procurement would need two months to prepare to rebid. The committee members agreed to extend the Eaton Vance contract for one more year.
- It was questioned what percentage of the portfolio was invested in Russian securities. Eaton Vance said there were virtually zero companies with direct Russian investments, but there were some indirect. The emerging market ETF (5%) had 3.6% invested in Russia, which is approximately 0.15% of the overall portfolio. The benchmarks are trying to liquidate those positions. The University has no exposure to Russian companies.

There being no further business, **MOTION** to adjourn made by Trustee Boudreau, seconded by Trustee Salehi.

ROLL CALL VOTE taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Landrau	Yes		

Motion passed unanimously.

The meeting adjourned at 2:31 PM.

Attachment(s):

- a. Minutes 11-22-21 (Draft)
- b. Distribution of Investment Income
- c. Investment Policy (0430)
- d. Quarterly Investment Results (December 31, 2021)
- e. Investment Advisor Contract